STATE OF CALIFORNIA   STEVE WESTLY,
                                                                                    California State Controller

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: August 5, 2004   PERSONNEL LETTER #04-007
                                                CIVIL SERVICE ONLY

TO: All Agencies in the Uniform State Payroll System

FROM: JOHN R. HARRIGAN, Chief
        Personnel/Payroll Services Division

RE: **JULY 1, 2004 GENERAL SALARY INCREASE AND PERSONAL LEAVE PROGRAM
        TERMINATION – CIVIL SERVICE BARGAINING UNITS 03, 05, 08, 16, 17, 19 AND
        EXCLUDED EMPLOYEES**

        The Department of Personnel Administration has issued DPA Pay Letter 04-12 authorizing a general
        salary increase for rank and file classes and employees in bargaining units 03, 05, 17 and excluded
        employees in classes affiliated with bargaining units 03, 05, 06 and 17. The pay letter also includes
        Unit 17 recruitment and retention pay differential changes and the ending of the Personal Leave
        Program (PLP) pay differential for rank and file employees in bargaining units 08, 16, 17 and 19. DPA
        Pay Letter 04-13 along with the DPA Exempt Pay Letter dated August 4, 2004 was subsequently issued
        to end the PLP for excluded employees. See the pay letters for further information.

        The Controller's Office will update the affected employees' employment history records for the salary
        and pay differential changes outlined in the pay letters as follows. (Note, DPA Pay Letter 04-12 also
        authorizes a general salary increase and 7K salary changes for rank and file classes and employees in
        bargaining unit 06. Implementation of the changes will occur at a later date. A Personnel Letter will
        be issued with further details.)

        General Salary Increase (GSI)

        The salary increase shall be documented via the GEN transaction with a 07/01/04 effective date. The
        GEN transaction will reflect the GSI within the employee's base salary rate.

        Unit 17 Recruitment and Retention Pay Differential Rollover Into Base Salary

        The pay differential changes shall be documented within the GEN transaction used to provide the
        above GSI. An employee's base salary rate will be increased by the additional amount authorized in
        the DPA Pay Letter 04-12. Also, the employee's recruitment and retention pay differential EID will be
        deleted or changed on the GEN transaction as specified in the pay letter.

PLP Termination

The PLP pay differential EID 8PLP or 8PL6 termination shall be documented via the 350 transaction with a 07/01/04 effective date except for the employees who are receiving the GSI. The PLP pay differential EID 8PLP or 8PL6 will be deleted on the GEN transaction used to provide the above GSI.

EMPLOYMENT HISTORY INFORMATION/INSTRUCTIONS

PPSD will process an employment history mass update the night of August 9, 2004 to post the above actions. PPSD will also process the MSA mass update to post the 08/01/04 effective date MSA or SIS transaction. The update will exclude rank and file bargaining unit 06 employees and will occur the night of August 10, 2004. Departments will be responsible for ensuring the salary/pay differential changes per the pay letters are reflected on transactions key entered on/after August 9, 2004.

Turnaround (TAD) PARs will be issued after the MSA mass update process. The TAD PARs will include the 07/01/04 effective date salary changes, the 07/01/04 effective date 505 retirement change transaction that was processed on July 7, 2004 for Unit 17 employees (see Personnel Letter #04-006) and the 08/01/04 effective date MSA or SIS transactions. The TAD PARs will be released on a flow basis.

PPSD and departments will need to manually update the EH records of employees who cannot be included in the above mass update.

PPSD

PPSD will manually update the EH records rejected from the mass updates. Also, the mass update will not include EH records with an out-of-sequence status (i.e., EH record reflects transactions with an effective date after 07/01/04) or for employees who separated before 07/01/04 with lump sum pay extending into the 07/2004 pay period. PPSD will manually update these EH records.

Departments

Departments will need to manually update the EH records of employees paid under the 9-12, 10-12 or 11-12 pay plans.

- If the employee is on work status as of July 1, 2004, process a 07/01/04 effective date GEN transaction. For 9-12 or 11-12 pay plan employees, enter the new salary rate on the GEN transaction and delete/change the employees' pay differential EIDs as applicable. If the salary rate is not entered, the rate will be computed incorrectly by the EH on-line system. Also, failure to enter the correct pay differential EID changes could result in an overpayment situation.

- If the employee is not on work status as of July 1, 2004, process a SAL transaction effective the date the employee returns to work status. Enter the new salary rate and delete/change the employees' pay differential EIDs, as applicable, on the SAL transaction.

SPECIAL EH DOCUMENTATION/PROCESSING INSTRUCTIONS

Once an employee's EH record is updated the 07/01/04 effective date GEN or 350 transaction could create an out-of-sequence condition. If allowed, salary rate and/or the appropriate pay differential EIDs must be entered on any new out-of-sequence transaction. If not entered, the rate and/or pay differential EIDs per the 07/01/04 effective date GEN or 350 transaction will be reflected on the new transaction and could create an overpayment situation. See PAM Section 9 for further processing information.

If correcting a 07/01/04 effective date transaction that has the PLP pay differential EID 8PLP or 8PL6, an EH audit message may be received indicating that the premium pay table record is not found. To achieve a successful update, the following actions must be taken in the order indicated.

- Void all 07/01/04 effective date transactions.

- Process a 07/01/04 effective date 350 transaction to delete the PLP pay differential EID 8PLP or 8PL6. If the employee is entitled to the 07/01/04 GSI, key enter the GSI Code O (an alpha 'O' in the GSI field on the PAR1 update screen) on the 350 transaction to denote that the old salary rate is reflected on the transaction.

- Process the remaining 07/01/04 effective date transaction(s) including the 07/01/04 effective date GEN transaction if applicable.

Per DPA, the MSA transaction shall be applied before a salary range change. Thus, the 07/01/04 effective date MSA transaction must be posted on an employee's EH record before the 07/01/04 effective date GEN transaction. Key enter the GSI Code O (an alpha 'O' in the GSI field on the PAR1 update screen) on the MSA transaction to denote old salary rate. Failure to enter the GSI Code O could result in an incorrect base salary rate and/or anniversary date (i.e., overpayment). Also, key enter the 07/01/04 effective date MSA transaction after the 07/01/04 effective date 350 transaction (see above).

PAYROLL ADJUSTMENTS

Adjustments for the 07/2004 pay period regular payments (except as noted below) and regular overtime payments (i.e., non-FLSA overtime pay) that have already been issued will be automatically made once the employees' EH records are updated for the salary changes. For employees updated via the EH mass update, the adjustments will be made in the August 10, 2004 payroll cycle (issue date 08/11/04). Employees in the manual update process will have their regular and non-FLSA overtime pay adjustments issued once their EH records are updated.

Departments will need to request GSI adjustments to FLSA overtime pay (payment type 1, payment type suffix F) via the PIP System. See PPM Sections G020-024 and K for further information. Likewise, departments will need to submit Form STD. 674/674D to request adjustments for the following payments that have been issued for the 07/2004 pay period.

- Regular pay with dock applied for employees with a mid-month change

- Regular pay for employees on an alternate work schedule or paid from a shift designated agency code and time paid does not equal time possible for the pay period

- Industrial Disability (IDL)

- Temporary Disability (TD)

- Nonindustrial Disability Leave (NDI) if benefits begin in the 07/2004 pay period

- NDI Annual Leave Supplementation

- Out-of-class pay

- Supplemental premium/pay differential pay if the pay rate is based on a percentage of the employee's base salary rate and the employee is receiving a GSI

- Holiday pay, user entered rate (payment type S, payment type suffix G)

RETROACTIVE CHARGES

The transactions as a result of the July 1, 2004 salary changes are considered to be non-controllable personnel and payroll transactions. The EH transactions and payroll adjustments resulting from the EH mass update should not be reflected on the Monthly Retroactivity Report. The EH transactions, except for the GEN transaction, and payroll transactions that are key entered or initiated by PPSD and departments will appear on the department's report. The department can return the report identifying the items associated with the July 1, 2004 salary changes along with the appropriate explanation.

TELEPHONE CONTACTS

Questions regarding the salary changes and EH/payroll processing information can be directed as follows:

SUBJECT AREA	CONTACT	TELEPHONE NUMBER
Salary Program	DPA	(916) 323-3343
EH Procedures	Personnel Operations Liaison Staff	Call (916) 322-6500 for an updated list of SSNs and respective liaison staff
Disability Procedures	Disability Liaison Unit	(916) 322-3619
General Payroll Procedures	Payroll Liaison Unit	(916) 323-3081

JRH:LMS:PMAB